## 6225.0.55.001 - Persons with Main Source of Income from Own Unincorporated Business, Estimates for Small Areas - Data Cubes, 2004-05 to 2005-06

Latest ISSUE Released at 11:30 AM (CANBERRA TIME) 18/02/2009

# Summary

## About this Release

These data are estimates of the number of persons whose main or principal source of income comes from their Own unincorporated business(es) for the financial years 2004-05 and 2005-06. The data includes estimates of:
the number of persons by sex;
the income those persons received from Own unincorporated business(es); and
the total income those persons received from all sources.

These data have been compiled from the Australian Taxation Office's Individual Income Tax Return Database and are part of the ABS' program to increase the range of regional data available to users of regional statistics, particularly through the use of administrative information from other government agencies.

These data are intended to provide insight about the economy of regions, and in particular regional income. The data are available for various levels of the Australian Standard Geographical Classification (ASGC) such as Statistical Local Areas (SLA), Local Government Areas (LGA), Statistical Subdivisions (SSD) and Statistical Divisions (SD).

Data previously released in this series has been for the financial years 1996-97 to 2003-04. This is the final issue in this series. In future data will be provided for estimates of all persons receiving any income from Own unincorporated business, rather than being limited to those with a main source of income from Own unincorporated business, as in this current publication. To stay informed about future releases of data, please refer to the Noticeboard of the Regional theme page on the ABS website.

# Explanatory Notes

## Explanatory Notes

### EXPLANATORY NOTES

#### INTRODUCTION

**1** These data are estimates relating to persons whose principal (or main) source of income

is from their own unincorporated business(es). The estimates include the number of persons, their income from own unincorporated business and their total income from all sources. This is the last time data will be released in this series only for the main source of income from Own unincorporated business(es). In future data will be provided for all persons receiving any income from this source.

**2** These data have been compiled from the Australian Taxation Office (ATO) Individual Income Tax Return Database and are part of the Australian Bureau of Statistics' (ABS) program to increase the range of regional statistics available, particularly through the use of administrative information collected by other government agencies.

**3** Data are available for various levels of the Australian Standard Geographical Classification (ASGC), including Statistical Local Areas (SLAs) and Local Government Areas (LGAs), in each state and territory of Australia for the income tax years 2004-05 and 2005-06. The income tax year refers to the financial year ending 30 June.

**4** Data for the years 1996-97 to 2003-04 are available in the previous release of this publication, accessible from the Past & Future Releases tab.

**5** The ABS wishes to acknowledge the support the ATO has provided in compiling these statistics and in assisting the ABS in its aim to increase the range of regional data available to users of regional statistics. Without such support the wide range of statistics published by the ABS would not be available.


## CONFIDENTIALITY

**6** All individual income tax statistics provided to the ABS by the ATO are in aggregated form, at the SLA level. Information about individual taxpayers has not been released to the ABS.

**7** Prior to being provided to the ABS, the statistics have also been subjected to a confidentiality process that randomly adjusts cells in tables with small values. This includes altering some small cells to zero. Caution should therefore be exercised in deducing that there are no people in an area with certain characteristics and, in general, no reliance should be placed on cells with small values in tables. Applying a confidentiality process to the data prevents the risk of inadvertently releasing any information that may identify an individual while, for most purposes, not impairing the overall information value of the statistics.


## SCOPE AND COVERAGE

**8** The scope of the statistics presented in these data relate only to persons whose principal (or main) source of income is from own unincorporated business(es). These persons may also have other sources of income.

**9** Persons whose principal source of income is from own unincorporated business(es) have been defined as:

- **persons aged 15 years and over who have submitted an Individual Income Tax Return and for whom income from their own unincorporated business, or businesses, was the principal (or main) source of their personal income for the financial year.**

**10** Own unincorporated business income has been defined as the total aggregated income received from the following business-related data items as reported on the Individual Income Tax Return:

- net business income (or loss): the amount of income (or loss) derived by the individual from primary and/or non-primary production business activities after deduction of relevant business expenses.
- distribution from partnerships: the individual's share of the partnership's income or loss, less any attributed foreign income or foreign source income of the partnership(s) on which the taxpayer is assessed. Partnerships generally do not pay tax in their own right. Members of the partnership pay tax at their individual tax rate on their share of partnership income included on their individual tax return.
- distribution from trusts (primary production only): the individual's share of the trust's income or loss (for primary production), less any attributed foreign income or foreign source income of the trust on which the taxpayer is assessed, and the whole or part of a net capital gain of the trust on which the taxpayer is assessable.
- net personal services income: the net income received by persons, including contractors and consultants, as a reward for their personal efforts or skills. It applies to persons receiving such income as a sole trader and is calculated by deducting operating expenses from the income generated by the business activity. Examples of personal services income include: income of a professional practitioner in a sole practice; income payable under a contract which is wholly or principally for the labour or services of a person; income derived by a professional sportsperson or entertainer from the exercise of professional skills; and income derived by consultants from the exercise of personal expertise.

**11** For the purposes of defining persons whose principal source of income is from own unincorporated business(es), only distributions from trusts with primary production activity have been included under the broad assumption that these individuals were mainly involved in their own farm business. For tax purposes, primary production activity refers to production resulting directly from the cultivation of land; the maintenance of animals or poultry for the purpose of selling them or their bodily produce, including natural increase; fishing operations; forest operations and horticulture; and includes the manufacture of dairy produce by the person who produced the raw material used in that manufacture.

**12** Distributions from trusts for non-primary production activities have been excluded from the definition of persons whose principal source of income is from own unincorporated business(es) as this includes income from a range of other activities, many of which do not relate to an individual working in their own business. Investigation of trust data has indicated that the majority of the distributions from non-primary production trusts were from investment products such as property trusts, cash management trusts, money market trusts, mortgage trusts and unit trusts.

**13** Average personal income from own unincorporated business(es) is calculated by dividing the total income received by individuals from their own unincorporated business by the number of persons receiving that income.

**DEFINING MAIN SOURCE OF INCOME**

**14** Own unincorporated business income is determined as the principal source of income when the income derived from this source (as defined in Explanatory Note 9) is greater than the income derived from each of the following other income groups:

- wage and salary (including allowances, earnings, tips and director's fees);
- Commonwealth of Australia government pensions, allowances and other payments;
- superannuation and annuities;
- investments (i.e. aggregate of gross interest, dividends, net rent and distributions from trusts - non-primary production); and
- other income (e.g. foreign source income).

**15** For example: A person reports the following income in their Individual Income Tax Return;

- $10,000 wage and salary income
- $7,000 distribution from partnerships - non-primary production
- $5,000 personal services income (as a sole trader)
- $2,000 dividends, and
- $500 gross interest.

**16** Based on the above definitions, these would be grouped as follows to establish the principal source of income:

- $10,000 wage and salary income
- $12,000 own unincorporated business income (aggregate of $7,000 distribution from partnerships - non-primary production and $5,000 personal services income (as a sole trader)), and
- $2,500 investment income (aggregate of $2,000 dividends and $500 gross interest).

**17** As the aggregate of income for the categories that make up own unincorporated business ($12,000) is greater than the income for each of the other groups of income separately ($10,000 wage and salary and $2,500 investment income) the person is classified as deriving their principal source of personal income from their own unincorporated business.

## STATISTICAL GEOGRAPHY

**18** The Australian Standard Geographical Classification (ASGC) is used by the ABS for the collection and dissemination of geographically classified statistics. It is an essential reference for understanding and interpreting the geographical context of statistics published, not only by the ABS but also by other organisations, and its use enables comparability across datasets.

**19** ATO data based on postcodes is converted to provide data for Local Government Areas and Statistical Local Areas (SLAs) as defined by the Australian Standard Geographical Classification (ASGC). Boundaries of these regions can change over time and the ABS revises and releases the ASGC annually.

**20** In this publication:

- Data for 2004-05 has been provided for LGAs, SLAs and other ABS standard boundaries based on 2005 ASGC boundaries.
- Data for 2005-06 has been provided for LGAs, SLAs and other ABS standard boundaries based on 2006 ASGC boundaries.

**21** It is important to be aware of boundary changes before comparing any data for 2004-05 with data for 2005-06. While some areas may stay the same, and data is therefore comparable, other areas have had boundary changes. Some examples of boundary changes between 2004-05 and 2005-06 include:

- in New South Wales, the Statistical Local Area of Tamworth Regional (A) - Part A was created from Parry (A) and part of Tamworth (C), while the Statistical Local Area of Tamworth Regional (A) - Part B was created from part of Barraba (A), all of Manilla (A) and Nundle (A) and part of Parry (A) - Part B
- in Queensland, the Statistical Local Area of Guanaba-Springbrook was created from part of Guanaba-Currumbin Valley and part of Mudgeeraba

**22** For further information about changes to boundaries, see **Australian Standard Geographic Classification 2006** (1216.0) Appendix 2.

**Geographic concordances**

**23** The ABS uses geographic concordances to enable the conversion of data from one type of geographic region to another. These geographic concordances are generally used to convert data for 'non-standard areas' to data for standard areas used by the ABS. Geographic concordances (or conversions) are expressed as conversion factors based on population.

**24** The geographic identifier available on the ATO database is the postcode of the individual's home address at the time of completing the tax return. Consequently, postcode to SLA conversion factors have been used to concord ATO aggregated postcode data to estimates for Statistical Local Areas. The concordances are based on the Estimated Resident Population for each particular year.

**25** The concordance process:

- minimises confidentiality restrictions as data are not output for postcodes with small populations;
- enables the data to be more easily compared with standard ABS output;
- enables the data to be output for other standard ABS geographic areas such as Statistical Divisions, Statistical Subdivisions and LGAs; and
- provides flexibility so that data can be provided for the different regions of interest being studied by users of regional data (which are usually groupings of SLAs and/or LGAs).

**26** When analysing concorded data the following limitations of this methodology need to be taken into account:

- in applying the concordances (based on total population only) it is assumed that the particular characteristics of any data item are uniformly distributed across a postcode area and therefore concorded data may not truly reflect the distribution of the characteristics of the population. In some cases, where the same postcode is split across two or more SLAs and there are no other contributing postcodes, distinct numerical estimates will be derived but rates or averages will be identical for each SLA (as these will be equivalent to the original rate or average of the contributing postcode);
- some official postcodes (such as post office boxes, etc.) do not correspond to

residential areas but may still have been reported under the current home address field on the income tax return. Data for these and other 'invalid' postcodes, such as those due to incorrect reporting or processing errors, have been included in an 'unknown' category for each state and territory and for Australia where the state or territory was not known; and

- concorded figures have been rounded so discrepancies may occur between sums of the component items and totals.

**27** While care was taken in producing the concordances the ABS will not guarantee the accuracy of concorded data.

## Geographic regions

**28** Geographic regions presented in these datacubes:

- Local Government Area (LGA): These spatial units represent the whole geographical area of responsibility of an incorporated Local Government Council in any state or territory, and Aboriginal or Island Council in Queensland or a Community Government Council in the Northern Territory. The various types of LGAs are Aboriginal councils (AC), areas (A), boroughs (B), cities (C), community government councils (CGC), district councils (DC), island councils (IC), municipalities (M), regional councils (RegC), rural cities (RC), shires (S) and towns (T).
- Statistical Local Area (SLA): These geographical areas are in most cases identical with, or have been formed from a division of, whole LGAs. In other cases, they represent unincorporated areas. In aggregate, SLAs cover the whole of a state or territory without gaps or overlaps. In some cases legal LGAs overlap Statistical Subdivision boundaries and therefore comprise two or three SLAs (Part A, Part B and, if necessary, Part C).
- Statistical Subdivision (SSD): These are of intermediate size, between SLAs and SDs. In aggregate, they cover the whole of Australia without gaps or overlaps. They are defined as socially and economically homogeneous regions characterised by identifiable links between the inhabitants. In the non-urban areas an SSD is characterised by identifiable links between the economic units within the region, under the unifying influence of one or more major towns or cities.
- Statistical Division (SD): These consist of one or more SSDs. The divisions are designed to be relatively homogeneous regions characterised by identifiable social and economic units within the region, under the unifying influence of one or more major towns or cities.
- State and Territory (S/T): These spatial units are political entities with fixed boundaries. States and Territories consist of one or more SDs. In aggregate, they cover Australia without gaps or overlaps.

## DATA CONSIDERATIONS

**29** There are several data considerations that users should be aware of when analysing the data. Overall, these are not viewed as being so severe that they would lead to the production of misleading information. Readers are cautioned to be aware of these considerations and take them into account when analysing the results. Readers should also refer to **Information Paper: Persons with Main Source of Income from Own Unincorporated Business, Experimental Estimates for Small Areas, Australia, 1996-97 to 2003-04** (cat no 6225.0) for more information.

**Processing of tax returns**

**30** The data presented in this publication were compiled before the processing of all income tax returns for any given year may have been completed. Data provided to the ABS by the ATO each year are from returns processed up to 31 October, 16 months after the end of the financial year. Any returns lodged after this date are not included. Therefore, for 2004-05, returns processed after 31 October 2006 are not included, and for 2005-06, returns processed after 31 October 2007 are not included.

**31** Annual revised data published by the ATO in **Taxation Statistics, Personal Tax, Table 7, 2005-06** for 'net business income' indicates that an additional 6% of persons with business income lodged their income tax returns in the twelve months after the initial processing of returns for 2004-05 (ie after October 31, 2006 and up to 31 October 2007).

**32** In general, caution should be exercised when making comparisons over time with data released in previous issues of this publication, particularly in respect to the number of persons whose principal source of income is derived from their own unincorporated business. The statistics for the years 1996-97 to 1999-00 were compiled from individual income tax returns processed up to 31 October 2002, data for 2000-01 were compiled from returns processed up to 31 October 2003, and data for 2001-02, 2002-03 and 2003-04 were compiled from returns processed up to 31 October 2005.

**Exclusion of persons with distribution from trusts - non-primary production**

**33** The exclusion of persons with distribution from trusts - non-primary production from the definition of own unincorporated business will also result in slightly lower estimates of the number of persons with PSIOUB being recorded.

**Changes in taxation policy**

**34** The ATO provides information annually in Taxation Statistics about changes that may affect taxation statistics. Changes relating to personal income tax are in Chapter 2 of Taxation Statistics.

**35** For the income year 2005-06, the following was noted in Taxation Statistics:

- personal income tax cuts
- the introduction of new measures such as the 30% child care tax rebate, the 25% entrepreneurs' tax offset, transitional incentives to contribute to superannuation, and
- transition to retirement rule - people aged over 55 can now access superannuation benefits without having to retire or leave their job.

**36** For the income year 2004-05, the following was noted in Taxation Statistics:

- personal income tax cuts
- introduction of the mature age worker tax offset. Workers aged 55 years and over may be entitled to the offset, based on the amount of income they receive from working.

## ROUNDING

**37** The statistics have been rounded following the conversion of aggregated postcode data to estimates for SLAs. Accuracy to the last digit is not claimed and should not be assumed. Discrepancies may occur between the sums of the component items and totals. Proportions, rates and averages have been calculated on rounded figures.

## FURTHER INFORMATION

**38** For further information about these statistics, contact the National Information Service on ph: 1300 135 070.

# Abbreviations

## ABBREVIATIONS

The following symbols and abbreviations are used in this publication:

| | |
|---|---|
| A | Area |
| ABS | Australian Bureau of Statistics |
| AC | Aboriginal council |
| ACT | Australian Capital Territory |
| ASGC | Australian Standard Geographical Classification |
| B | Borough |
| C | City |
| CGC | Community Government Council |
| DC | District Council |
| IC | Island council |
| LGA | local government area |
| M | Municipality |
| NSW | New South Wales |
| NT | Northern Territory |
| Qld | Queensland |
| RC | Rural City |
| S | Shire |
| S/T | state or territory |
| SA | South Australia |
| SD | statistical division |
| SLA | statistical local area |
| SSD | statistical subdivision |
| T | Town |
| Tas. | Tasmania |
| Vic. | Victoria |
| WA | Western Australia |